

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06  
OPIC-03 SP-02 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15  
NSC-05 STR-06 /103 W  
-----037064 262226Z /14

R 261730Z JAN 78  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 5246  
DEPARTMENT TREASURY  
INFO AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 01549

USEEC AND USOECD

DEPARTMENT PASS FRB AND CEA

E.O. 11652: GDS  
TAGS: EFIN, GW  
SUBJECT: EMBASSY GERMAN CURRENT ACCOUNT PROJECTION

REF: (L) BONN (77) 19556, (2) BONN 1450

1. THE PRELIMINARY GERMAN CURRENT ACCOUNT SURPLUS  
(SEE REF 2) HAS TURNED OUT TO BE SLIGHTLY (DM 0.7  
BILLION) ABOVE WHAT WE HAD PROJECTED LAST FALL (SEE  
REF 1). ON THE BASIS OF THESE PRELIMINARY FIGURES AND  
RECENT EXCHANGE RATE MOVEMENTS, WE HAVE REVISED OUR 1978  
CURRENT ACCOUNT PROJECTION AS FOLLOWS:

GERMAN CURRENT ACCOUNT  
(IN DM BILLION)

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| ACTUAL | PROJECTION |  |
|--------|------------|--|
|--------|------------|--|

| ----- | ----- |       |
|-------|-------|-------|
| 1977  | 1978  | PCT.  |
| ----- | ----- | ----- |

|                  |       |       |     |
|------------------|-------|-------|-----|
| EXPORTS (F.O.B.) | 273.5 | 290.7 | 6.3 |
|------------------|-------|-------|-----|

|                  |       |       |     |
|------------------|-------|-------|-----|
| IMPORTS (C.I.F.) | 235.1 | 251.6 | 7.0 |
| -----            |       |       |     |
| TRADE BALANCE    | 38.4  | 39.1  |     |
| -----            |       |       |     |
| SERVICES (1)     | -12.3 | -12.3 |     |
| TRANSFERS        | -17.9 | -18.4 |     |
| -----            |       |       |     |
| CURRENT ACCOUNT  | 8.2   | 8.4   |     |
| -----            |       |       |     |

(1) INCLUDING TRADE SUPPLEMENT

2. WE EXPECT THE VOLUME OF EXPORTS TO BE ABOUT 5.0 PERCENT HIGHER THAN IN 1977 AND EXPORT PRICES TO RISE BY ABOUT 1.3 PERCENT. WHILE DOMESTIC PRICES ARE PROJECTED TO RISE BY MORE THAN THAT, THE INCREASE IN THE VALUE-ADDED TAX WILL NOT AFFECT EXPORT PRICES AND EXPORTERS PROBABLY WILL CONTINUE TO BE WILLING TO SHAVE PROFIT MARGINS TO RETAIN MARKETS. WE EXPECT THE VOLUME OF IMPORTS TO INCREASE BY ABOUT 6.0 PERCENT (I.E., ABOUT TWICE THE PERCENTAGE INCREASE IN GNP) AND THE AVERAGE DM PRICE OF IMPORTS BY ABOUT 1 PERCENT (THE TRADE WEIGHTED VALUE OF THE DM AT THE BEGINNING OF 1978 WAS ABOUT 5 PERCENT OVER THE AVERAGE FOR 1977. ASSUMING NO MAJOR CHANGE IN THE RELATIVE VALUATION OF THE DM DURING 1978, THIS MEANS THAT IN TERMS OF FOREIGN PRICES IMPORT PRICES IN OUR PROJECTION WOULD INCREASE AN

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AVERAGE IN 1978 OF ABOUT 6 PERCENT OVER 1977). FOR SERVICES (INCLUDING THE TRADE ADJUSTMENT) WE EXPECT ABOUT THE SAME NEGATIVE BALANCE IN 1978 AS IN 1977

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AMEMBASSY BRUSSELS

C O N F I D E N T I A L SECTION 02 OF 02 BONN 01549

USOECD

WITH THE RISING GERMAN TRAVEL DEFICIT OFFSET BY INCREASED  
INVESTMENT INCOME FROM ABROAD AND A NON-REPETITION OF  
EXTRAORDINARY PROFIT TRANSFERS FROM FOREIGN SUBSID-  
IARIES IN GERMANY RELATED TO THE CHANGEOVER IN 1977 TO  
A NEW GERMAN CORPORATE PROFIT TAX SYSTEM.

3. THE AVERAGE \$/DM RATE HAS CHANGED FROM \$1 DM 2.52  
IN 1976 TO \$1 DM 2.32 IN 1977 AND FOR PURPOSES OF  
THESE PROJECTIONS WE HAVE ASSUMED IT TO BE \$1 DM 2.10  
IN 1978. THIS YIELDS THE FOLLOWING DEVELOPMENTS OF  
THE GERMAN CURRENT ACCOUNT SURPLUS IN DOLLAR TERMS.

(IN \$ BILLION)

| ACTUAL |      | PROJECTION |
|--------|------|------------|
| -----  |      | -----      |
| 1976   | 1977 | 1978       |

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GERMAN CURRENT

|         |      |      |      |
|---------|------|------|------|
| ACCOUNT | 3.38 | 3.53 | 4.00 |
|---------|------|------|------|

STOESSEL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ACCOUNTS, FINANCIAL TRENDS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 26 jan 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978BONN01549  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** ALSO FOR USOECD  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
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**Litigation History:**  
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**Message ID:** 644909e0-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
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**Previous Handling Restrictions:** n/a  
**Reference:** 78 BONN 9, 78 BONN 1450  
**Retention:** 0  
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**Review Content Flags:**  
**Review Date:** 20 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**Status:** NATIVE  
**Subject:** EMBASSY GERMAN CURRENT ACCOUNT PROJECTION  
**TAGS:** EFIN, GE  
**To:** STATE TRSY MULTIPLE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/644909e0-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
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20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014